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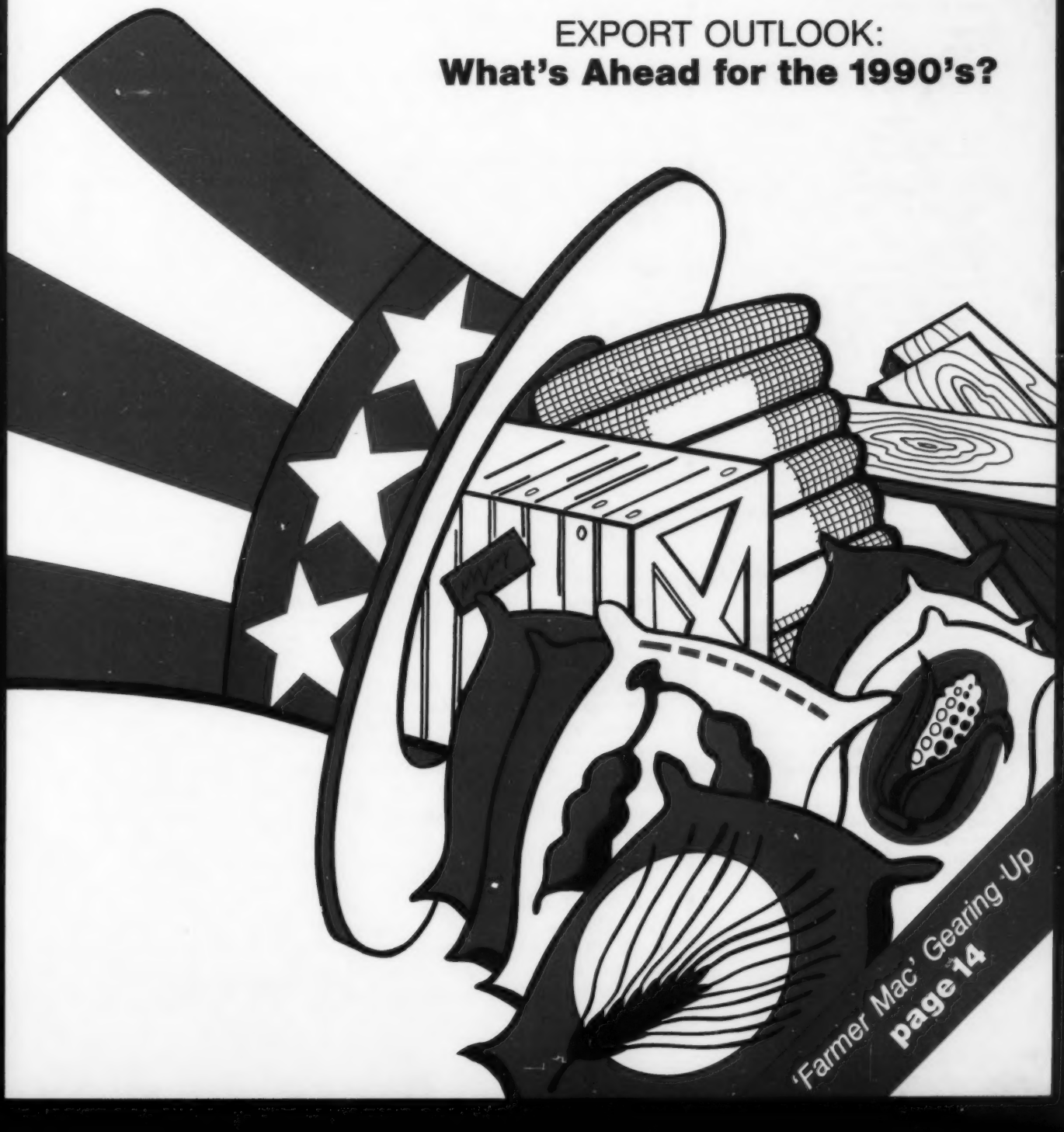
EXPORT OUTLOOK:
What's Ahead for the 1990's?



'Farmer Mac' Gearing Up
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PERSPECTIVES

ECONOMIC GROWTH in the United States this year is likely to slow somewhat from 1988, but general economic conditions should remain favorable, according to economist Ralph Monaco of USDA's Economic Research Service.

"The outlook is mildly optimistic," he says, "largely because the fundamental factors that determine general economic health are all pointing in the direction of continued growth with moderate inflation."

Two benefits of slightly slower growth could be a lower rate of inflation and less upward pressure on interest rates, Monaco adds. Interest rates are an important component of farm production costs and therefore crucial to the well-being of the farm sector.

Other details of Monaco's analysis include:

Gross National Product (GNP) is likely to increase at a rate of about 3% this year, after growth of approximately 3.8% in 1988. Growth has averaged 3.1% since 1982. Inflation in 1989 is expected to be in the range of 3 1/2% to 4 1/2%, moderating slightly from 1988. Unemployment in 1989 should be near last year's 5.5%. This country's budget deficit and trade deficit both are expected to improve in 1989. The value of the dollar is likely to increase slightly through the first half of this year, then fall later, showing an overall decline for the year.

The seeds of robust growth in 1988 were sown some 2 years earlier, when the dollar fell about 35% against a selection of trade-weighted foreign currencies between February 1985 and the end of 1986. By the third quarter of 1988, inflation-adjusted U.S. exports were 16% ahead of a year earlier and 35% ahead of 2 years earlier.

The 1988 drought had only slight effects on the general economy. The drought forced up food prices somewhat, but this had little influence on the overall price index. Drought losses were estimated at $12.1 billion for all of 1988, reducing real GNP growth 0.4 percentage points.

Economic expansions usually do not die off by themselves, but rather are cut short by some shock to the economy, such as an oil embargo or a severe financial disturbance. Therefore, several possible risks should be monitored this year. Protectionist tendencies are one. The heightened tensions in the GATT agricultural trade talks probably have increased the chances of protectionist actions by several countries. The key to U.S. economic growth the next 3 to 5 years is exports. Protectionism could strike at the heart of this critical factor and bring the economic expansion to a rapid close.

Policy changes, also, could have unintended consequences. Policymakers must walk a fine line between being too tight and too loose with fiscal and monetary policies. Recent Federal Reserve tightening is intended to slow the economy to forestall inflation, but some analysts are concerned that the Federal Reserve has tightened too much. Oil prices also remain on the list of factors to watch carefully, if only because they have demonstrated a capacity for extreme volatility and they remain an important input for many sectors, including agriculture.

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The 1970's were boom times for U.S. agricultural exports, but the 1980's have been considerably less of a success. With a new decade about to begin, what are the chances of a return to the good times? ERS economists have studied the trends and offer a somewhat hopeful outlook for the 1990's.

Debt Crisis Cuts Eastern Europe's Farm Imports *by Wendy Pinchas* 8

Nearly a decade of economic stagnation in the centrally planned countries of Eastern Europe will be difficult to reverse. This situation is not a hopeful one for U.S. farmers who would like to see an increase in exports to Eastern Europe. But there are a few bright spots on the horizon. The potential market is substantial if the economic hard times can be turned around.

'Farmer Mac' Mortgage Market Coming on Line *by Juliana King* 14

The new secondary market for farm mortgages should be fully operational by early next year. It is the Federal Agricultural Mortgage Corporation, also known as Farmer Mac. ERS economist Stephen Hiemstra explains how it will work.

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Dialing Up Economic Information 10

This handy guide provides telephone numbers of key specialists in USDA's Economic Research Service and National Agricultural Statistics Service. The listings are arranged by subject to help you find the right person to answer questions about crops, livestock, farmland prices, trade, and other topics. Clip and save the guide.

EXPORT OUTLOOK: What's Ahead For the 1990's?

A new decade of stronger demand for U.S. farm exports appears to be drawing near, particularly for high-value products.

The upward tempo of that demand is uncertain, but it isn't expected to rival the fast pace of the 1970's when the volume of U.S. farm exports grew an average of 9 percent a year. The reason, say economists, is a changed world environment that won't support the economic growth rates of the 1970's.

Even so, incomes abroad are likely to rise faster in the next decade than they have in the 1980's. Higher incomes should translate into greater demand for U.S. farm products (and those of other large exporters).

"The best markets for the United States will be the developing countries," says economist Ron Trostle of USDA's Economic Research Service.

Projections for the 1990's by Trostle and his colleagues seem to suggest an almost-exact reversal of the 1980-88 trend. During that period—and despite the gains of the last 2 years—U.S. agricultural export volume posted an overall decline that averaged about 3 percent per year.

The analysts note, however, that future demands for American farm products could be either stifled or stimulated by any number of "unknowns." Trostle identifies several key questions:

Will competitors increase production because of current high prices for commodities prompted by the U.S. drought?

Will developing countries let domestic food prices rise to levels that encourage their farmers to produce more food for their people? In general, that would tend to boost import demand by raising incomes. When incomes rise, demand usually outruns a country's ability to produce.

Will the Soviet Union boost its demand for soybean meal and other high-protein foodstuffs, actions that would significantly affect world trade in these items?

The best markets for the United States will be the developing countries.

Also unknown is the outcome of current GATT negotiations to remove barriers to agricultural trade. Fewer barriers and subsidies would enlarge overall world trade volume, according to most economists.

Future Tied to Exports

All of these questions and concerns revolve around a fact that became plain during 1981-88 as U.S. farm exports tumbled: Exports are critical to American agriculture. When exports suffer, so does the U.S. farm sector.

"The production from about one of every three acres harvested in the United States is marketed to consumers in other countries," says Trostle. "In recent years, the value of total U.S. agricultural exports averaged more than $16,000 a farm."

In fact, he says, the long-term growth trend in overall U.S. farm exports (an average of 4.3 percent a year between 1960 and 1987) has outstripped growth in total farm production (1.5 percent per year). "Because U.S. agriculture relies so heavily on foreign markets, the outlook for exports plays an important role in the plans of agribusiness, as well as farmers and policymakers."

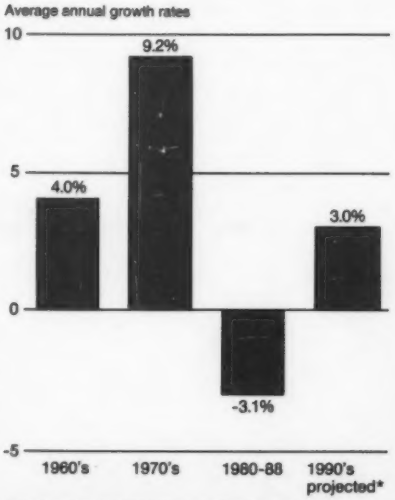
At the moment, planners and policymakers are peering into the not-too-distant future, speculating on what the 1990's will mean for export-hungry U.S. farmers.

Trostle says the current view is that foreign demand for agricultural products will probably grow more slowly during the coming decade than it did during the boom years of the 1970's, but faster than it did during the first half of the 1980's.

He says several forces shape this outlook:

- World population growth peaked during the 1960's at nearly 2 percent a year. The trend to slower population growth, which is now about 1.7 percent a year, is expected to continue. But even that relatively slow rate will produce about 80 million more people to feed and clothe each year. This is a significant demand-building factor.
- Many countries will experience slower income growth than in the 1970's. But income is projected to grow faster than it did in the early 1980's, particularly in developing countries.
- Surpluses will continue to be more common in world markets than shortages, so most commodities will normally be priced very competitively, frequently with favorable credit terms. The high prices induced by the drought are seen as a short-term interruption in a long-run trend toward lower real (inflation-adjusted) prices.
- The debt problem will continue to hold back both income and import demand in debtor countries, but to a lesser degree over time as debt is gradually retired, restructured, forgiven, or otherwise resolved.

A 3-Percent Growth Rate Is Projected for U.S. Farm Export Volume in the 1990's



*Based on an ERS assessment of anticipated world supply and demand developments.

Demand in Developing Nations

"Total and per capita demand growth will continue to be fastest in the developing countries, especially in the newly industrializing nations like Taiwan and South Korea," says Trostle. "Growth of agricultural imports in low-income countries has been projected at 3 percent per year, well above that of the middle-income countries, such as Brazil and Mexico. Demand growth will also remain strong in the centrally planned economies, particularly China."

Moreover, demand for agricultural products appears to be shifting to higher quality and more highly processed foods.

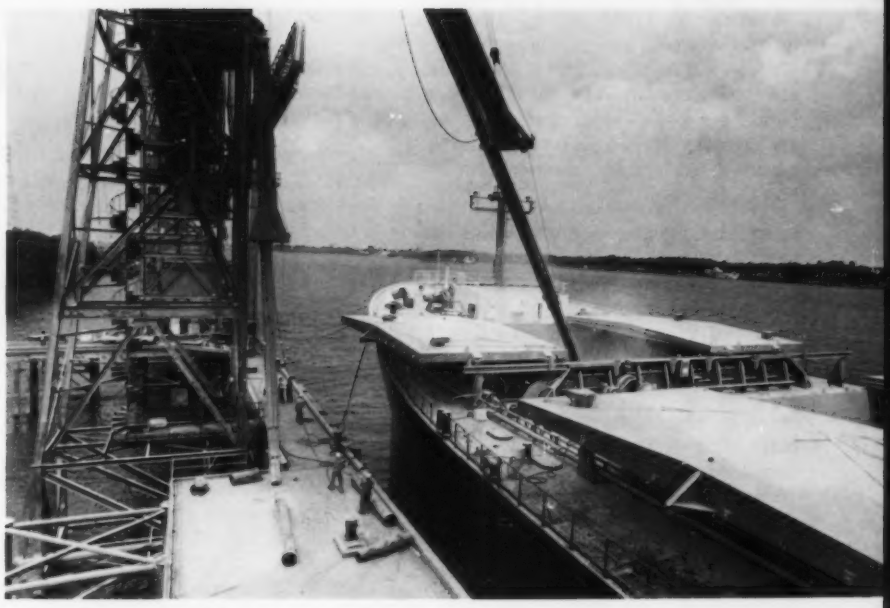
"More of the world's population will seek higher quality diets," says Trostle. "We will see a continuing gradual change toward higher valued and processed products, such as meats, fruits and vegetables, and dairy products."

At the same time, says Trostle, "people with rising incomes will want more protein, generating a growing demand for feedstuffs so these countries can produce more meat. Foreign use and trade of feed grains are expected to climb faster than for food grains."

Feed use of wheat and coarse grains currently accounts for 35 percent of total foreign consumption, up from less than 26 percent in the 1960's. The percentage will likely increase. "Some middle-income countries will maintain imports of feed grains, rather than meat, in order to generate employment at home."

Trostle goes on to say that foreign demand for high-protein feedstuffs could rise even faster than that for feed grains.

"Livestock feeding in the centrally planned economies is inefficient, principally because of the composition of feed rations," he says. "The average protein content is low, particularly in the Soviet Union and Eastern Europe. The ratio of high protein feeds to feed grain there is about 6 percent, compared with more than 25 percent in Western Europe. Livestock feeding in the developing countries is small, but there is considerable potential for expansion."



Where Prospects Are Best

And it is in developing countries that U.S. farm exports should fare best. That's suggested not only by projected income growth in those countries, but also by long-range trends, Trostle explains.

"Agricultural production in developing nations has risen about 2.9 percent a year since 1950," he says. "But demand increased even faster, and the growth in agricultural imports exceeded exports."

In the 1960's, he says, the developing countries' total net agricultural exports averaged $15 billion (in real 1974-76 dollars). Since the early 1970's, the trade surplus enjoyed by developing countries has disappeared. The volume of agricultural imports by developing countries has risen at a compound growth rate of 3.2 percent since 1967, while exports grew at only 2.1 percent.

"This gap widened rapidly in the late 1970's and early 1980's as rising per capita income and the availability of international credit boosted demand," says Trostle. "Commercial agricultural imports by developing countries declined in 1985 and 1986 as the debt problem intensified and the growth in credit slowed."

With higher incomes over the next few years, though, developing nations should once again increase their demand for food. That demand will be satisfied either by domestic production or by imports.

Imports may increase more than domestic production, though, given the current situation in many developing nations.

"Gains in agricultural output will depend more on technological advances because of the constraints on increasing planted area," says Trostle. "However, the 'green revolution' rice and wheat technologies have already been widely distributed."

Problems in Production

Land is also being used more intensively in developing countries.

(continued on next page)

"In a number of developing countries, multiple cropping and increasing intensity of slash-and-burn agriculture are mining soil fertility and, in some cases, causing permanent loss of productive capacity," says Trostle. "Deforestation and desertification are resulting from intensive competition for food and fuel."

In addition, the growth in crop yields has recently shown some signs of slowing down. There is also little likelihood of new technological advances which can have the same impact on output as did the high-yielding varieties of the 'green revolution.'

In terms of livestock, says Trostle, "management constraints and health concerns will limit the use of livestock growth hormone technologies during the next 5 to 10 years. Meat production will likely rise, even on a per capita basis, but largely as a result of better feeding practices."

In supplying these growing markets, the United States will face continued competition from the European Community and other exporters.

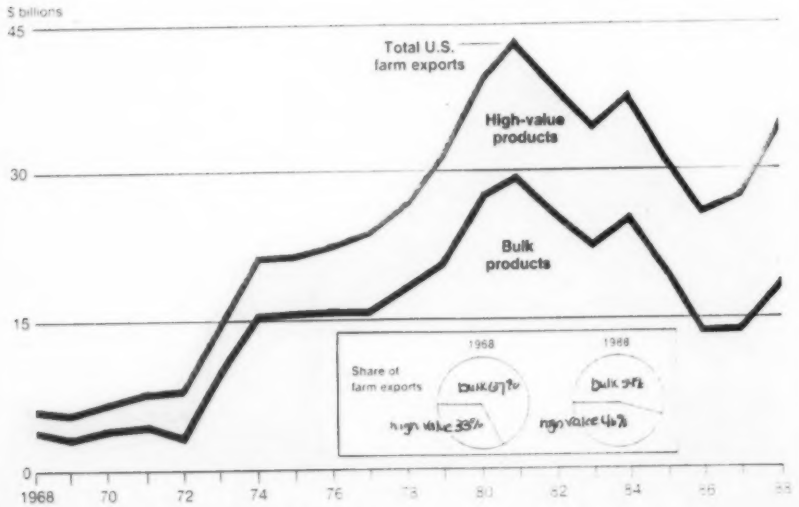
Spurring that competition in the decade ahead is the probability that world agriculture will continue to have excess capacity, particularly in the developed exporter nations.

"To balance world output with demand, the growth of agricultural production in the developed market economies would need to be cut to about 1 percent per year, half of the projected expansion in productive capacity," says Trostle.

In the 1980's, fierce competition between exporters for world markets burdened with surpluses caused a sharp drop in world prices.

"The major producing and exporting countries will have problems in idling excess production capacity and will continue to compete for foreign markets," says Trostle. "Other countries will promote exports to earn badly needed foreign exchange. Thus, world prices are expected to remain low for an extended period unless a series of major regional production problems such as drought emerge."

U.S. Exports of High-Value Farm Products Have Grown From $2.1 Billion in 1968 to $16.4 Billion in 1988*



*Figures provided by ERS economist Stephen MacDonald

Impact of Trade Talks

World trade will also be affected by the results of ongoing multilateral trade negotiations.

"First, there is the possibility that successful negotiations could lead to freer world trade of farm products, a world where farm producers compete with each other rather than with the coffers of governments," says Trostle. "The outcome depends on finding common ground between the market orientation endorsed by the United States and some other nations, and the more market-protective policies that are deeply rooted in the EC's Common Agricultural Policy (CAP) and Japan's desire for food self-sufficiency."

The effects of such liberalization could be far-reaching. "In a world trade environment where trade-distorting policies are eliminated," says Trostle, "costs of production become more important in determining competitiveness."

The United States is not always the lowest cost producer of agricultural products, he says. "Argentina and Australia have lower cereal production costs, although any significant increase in output would require large investment—and would increase their average costs."

On the other hand, says Trostle, some countries have very high costs of production. For example, producers of wheat in Saudi Arabia and rice in Japan are paid four to five times the world price.

"The transition to full trade liberalization would require adjustments by producers in many countries," says Trostle, "but the United States would still be a major exporter in most commodity markets."

A second possible outcome of GATT talks, says Trostle, could be increased market protection and export subsidies if negotiations break down. These actions could be accompanied by a trend toward more bilateral alliances and agreements, such as the U.S.-Canada Free Trade Agreement.

It's also possible, says Trostle, that few significant changes would be agreed upon,

and that little would change as a result of the negotiations.

Despite these different scenarios, Trostle says that both world agricultural trade and U.S. exports are likely to increase during the first half of the 1990's.

He suggests that U.S. farm exports may grow in volume by about 3 percent a year during this period. That's an average, based on an ERS assessment of supply-and-demand developments, and it doesn't rule out fluctuations in trade from year to year.

Even then, he adds an important caution: "We've been wrong before, and we know how difficult it is to anticipate the future."

In this case, the key variable seems to be foreign income growth.

"If economic and income growth rates, and export revenues in developing countries slow down, the 1990's could be as unfavorable for trade as the 1980's," he says. □

[Based largely on information provided by economist Ron Trostle of the Commodity Economics Division, Economic Research Service.]

High-Value Products Best Bet for Trade Gains

High-value products may be the best bet for U.S. agricultural exporters in the decade ahead.

"In response to foreign demand for higher quality and more processed foods," says ERS economist Ron Trostle, "exports of U.S. value-added products are expected to continue rising more rapidly than bulk exports."

Over the last decade, he says, U.S. sales abroad of value-added, processed products have risen steadily, becoming a larger share of total U.S. farm exports.

"Compared with value-added products, exports of bulk and raw products grew more rapidly during the late 1970's but fell dramatically after 1981," says Trostle.

Value-added product shipments declined only slightly between 1981 and 1983, and since then have increased.

According to ERS economist Stephen MacDonald, high-value U.S. farm exports reached $16.4 billion in fiscal year 1988, more than 16 percent above the previous high.

"Either export value or volume reached record highs for grapefruit, tree nuts, raisins, feeds and fodders, cattle hides, beef, poultry meat, edible offals, frozen vegetables, fruit juices, essential oils, and seeds," says MacDonald. "Exports of apples and canned vegetables were near record levels."

Bulk exports, on the other hand, remained $11 billion below their record high. "The previous record highs for both bulk and high-value exports were set in 1981," says MacDonald.

The share of U.S. farm exports held by high-value products has varied, sometimes by wide margins. In 1972, high-value products made up 49 percent of U.S. agricultural exports. But the total amounts involved were much lower than they are today, a $4-billion share for high-value compared with $4.2 billion for bulk exports. By 1979, high-value was $10.7 billion, a third of total U.S. farm exports, and bulk was up to $21.3 billion.

In the 1980's, says MacDonald, "the real source of strength for high-value exports has been sales to developed countries, where consumers can afford a greater variety of foods and more processed foods. Since 1981, economic growth and currency appreciation has been strongest in developed countries, where real economic activity was 21 percent higher in 1988, and real exchange rates were as much as 35 percent higher. By way of contrast, developing countries grew only 15 percent between 1981 and 1988, and their currencies declined."

There were some notable exceptions, however.

"The strong performance of three Asian economies has also boosted U.S. high-value exports," says MacDonald. "Taiwan, South Korea, and Hong Kong have been among the world's fastest growing economies during the 1980's, and U.S. high-value exports there have grown 117 percent since 1982."

Although the largest increase in export demand occurred in Japan, he says, U.S. high-value exports would probably have remained below record levels if sales to other East Asian countries had remained low.

In the 1990's, the Pacific Rim nations will be joined by developing countries in shopping at the U.S. high-value export market, says Trostle.

"Income growth in developing nations will create a demand for improved diets and more high-value and processed foods," he says.

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Debt Crisis Cuts Eastern Europe's Farm Imports

If the last several years are any guide, Eastern Europe will not be among the fast-growing markets for U.S. farm products as the 1990's unfold.

Nearly a decade of economic stagnation will be difficult to reverse. Large foreign debts and the inability to attract enough investment or trade dollars from Western nations will, in all probability, continue to limit food imports.

Yet, despite Eastern Europe's many problems, there are some bright spots on the horizon, according to analysts with USDA's Economic Research Service. Past priorities are being re-examined, proposals for major policy reforms are getting serious attention, and demand appears to be growing for food-processing equipment, livestock feedstuffs, and perhaps eventually for high-value foods.

The potential market is substantial if economic progress allows Eastern Europe to meet the demand for better diets.

In 1980, U.S. exporters sold $2.3 billion worth of agricultural products to the region, more than 5 percent of total U.S. agricultural sales that year. But in 1981, the total dropped to $1.8 billion, and in 1982, to $876 million. U.S. sales continued to decline, and in 1986, they were only one-third of the 1975-81 average.

What happened to a once flourishing market and why? What can be expected in the years ahead? These are questions U.S. exporters ought to consider if they hope to carve out future markets in the region.

Rise and Fall of a Promising Market

Eastern Europe can hardly be ignored. Its 140 million people live in seven nations (Albania is excluded here because trade with the United States is miniscule) spanning roughly a half-million square miles between the Baltic Sea in the north and the Adriatic and Black Seas to the south. Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Yugoslavia, and East Germany have had productive trade relations with the United States for years.

For decades, agriculture has been treated as the "stepchild" of the economy in Eastern Europe.

During the 1970's, U.S. agricultural exports to the region took off, with a sevenfold increase in value between 1972 and 1980. The primary U.S. exports have always been grains (particularly corn) and soybeans and meal. These products help support Eastern Europe's primary export earner—its livestock sector.

Eastern Europe was a strong market in the 1970's for U.S. corn, wheat, barley, and sorghum, among the grains, and for U.S. cattle hides. In return, the United States bought mainly processed meats, such as canned hams and sausage, along with some wine, cheese, and tobacco.

In 1980, the peak year for U.S. exports to the region, the United States imported $311 million in agricultural products from Eastern Europe. For comparison, the figures were $91 million in 1971 and $335 million in 1987.

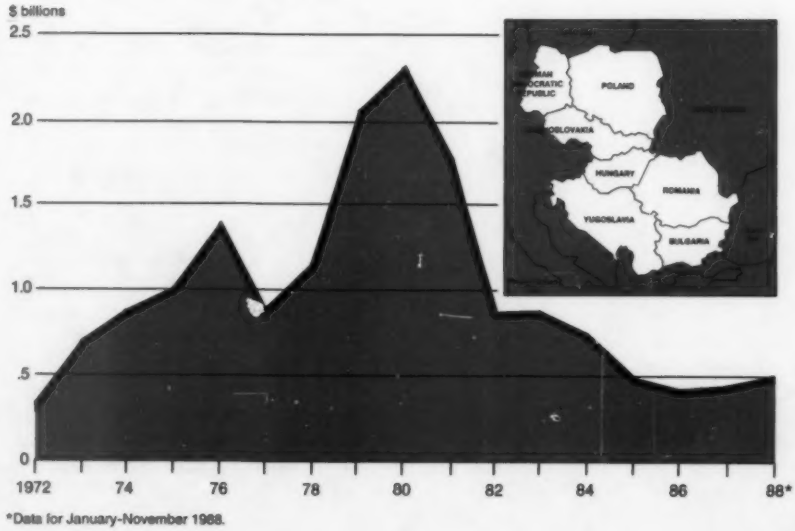
Many analysts say that, during the 1970's, policy decisions were made and priorities set in Eastern Europe that doomed this burgeoning trade and plunged the economies of many of these countries into a downward spiral. One major problem was, and is, the burden of foreign debt.

These countries borrowed heavily from the West in the 1970's, using the money to finance imports of foods, animal feeds, and industrial equipment. The borrowing improved diets and provided some Western technology, but not in ways that created more productive agriculture and industry, according to ERS economist Francis Urban.

Agriculture as "Stepchild"

For decades, agriculture has been treated as the "stepchild" of the economy in Eastern Europe, according to economists Nancy Cochrane and Miles Lambert. The governments of the region favored industrial development, leaving agriculture

A Few Years After Peaking at $2.3 Billion, U.S. Agricultural Exports to Eastern Europe Had Fallen Below $500 Million



*Data for January-November 1988.

with poor infrastructure, inadequate storage, aging machinery, and crumbling irrigation systems, they say.

The governments held down food prices, too, in the face of escalating input costs, thereby ensuring the outlay of heavy subsidies in support of unprofitable socialized farms. And, in a familiar pattern, many younger, more skilled workers began to desert the farms for the cities, further clouding the farm labor picture, according to Cochrane and Lambert.

Overall, the policy of giving priority to industrial development was a failure because of misguided central planning and heavy subsidies on production, Lambert says. These policies failed to encourage specialization and the production of goods that could be exported for hard currency.

During the 1970's, the countries of Eastern Europe could borrow enough money from international banks to buy the technology they needed to update their industries. But their policy of subsidization ensured that their industries remained uncompetitive. "It's fine to have machinery but if it is not used in a realistic way, it's wasted," Lambert says.

Poland's situation illustrates some of the problems that affected the supply of credit, and thus restricted imports. In 1981, challenged by industrial strikes and the rise of the independent trade union "Solidarity," Polish authorities declared martial law.

As a result, the United States revoked Most Favored Nation status for Poland. This damaged Polish hard currency exports and prompted Western lenders to cut off credit to Poland. And this action wasn't limited to Poland. Lenders began to rethink the wisdom of their policy on loans to the entire region, and credit dried up.

There was little hard currency left to be used in importing the grains and soybeans that the United States had supplied in increasing amounts in the 1970's. With the cutback in imported feedstuffs, livestock production stagnated through the first half of the 1980's, Cochrane says.

Conditions were worst in Poland, where meat production fell from 3.1 million tons in 1980 to 2.5 million in 1981. Meat production in all of Eastern Europe declined from 12.2 million tons in 1980 to 11.8 million in 1981 and 11.5 million in 1982.

"Today the nations of Eastern Europe are so in debt that they can't replace their industrial equipment and can't produce on a competitive level with other countries in either agriculture or industry," Urban says. "The Poles, for instance, have agricultural commodities to export, but they don't have the machinery to process, package, and market those commodities, and they can't buy the equipment."

Eastern Europe as a whole has gone from owing $9.2 billion (in U.S. dollars) in 1971 to over $100 billion in 1987. Between 1977 and 1980 alone, the region's debt nearly doubled. Poland leads the region in debt, followed by Yugoslavia, East Germany, and Hungary.

Although analysts disagree somewhat in their assessments of how seriously depressed the economic conditions in Eastern Europe are, all agree that the debt crisis has caused severe problems in the region.

If the debts of these countries keep rising, and they have to continue using hard currency to finance that debt, their economies will be affected for years to come, analysts say.

Reversing the Decline

The governments of Eastern Europe have recognized the need for economic changes since the debt crisis began. They have responded in different ways, with varying degrees of success. But the efforts by some may hold promise for U.S. exporters.

Cochrane notes that two distinct approaches have been taken toward the goal of agricultural reform. These approaches will affect the types of opportunities available for expanded trade with the region.

On the one hand, the "Bulgarian model" pushes decentralization and worker incentives without abandoning socialist ideals of central planning and ownership. On the other hand, the "Hungarian model" moves away from central planning and opens the economy more to market forces.

Results have been mixed, the economists say. Hungary has had the most success in agricultural reform, Bulgaria the least, and Romania and East Germany have opted out entirely. Efforts by the Polish government to reduce production subsidies by raising retail food prices have met with fierce resistance from consumers.

But even these failures can signal opportunities for U.S. exporters, depending on how the governments of the region decide to move reform along.

"Economic reforms under way involve real wage cuts, cuts in subsidies, higher prices for basic commodities. Conditions will be worse in the short run. To make reforms more palatable, many Eastern European countries are trying to provide better supplies in the food stores," Cochrane says.

Further, many of these governments are concerned about declining health standards and may respond by importing more agricultural products. The World Health Organization reports that life expectancy has dropped throughout the Eastern bloc, and that rates of cardiovascular disease are up, as are cases of alcoholism and related diseases.

Although the nations of the region differ strikingly in their approach toward economic reform, they all need to boost foreign exchange earnings—that is, they need dollars or other hard currency that are accepted in world markets. This will virtually ensure an expanded market for at least one U.S. commodity—soybeans. The East Europeans need soybeans and meal to rebuild their livestock industry, a major hard currency earner for them.

"They will always need U.S. soybeans and meal. Only Yugoslavia and Romania are major soybean producers, and even they don't produce enough for domestic needs. This market will probably expand in the 1990's," Cochrane says.

U.S. exporters also may profit from the new wind blowing from the Soviet Union in the form of "glasnost," or openness, and "perestroika," or economic restructuring, which is encouraging the more reformist-minded governments in the region, Cochrane says.

Whereas the Soviet Union used to promote rigid enforcement of central planning in Eastern Europe, it is increasingly disposed to allow the Eastern Europeans more freedom to manipulate their economies on the basis of need rather than ideology.

"These trends seem to be accelerating now that (Soviet General Secretary Mikhail) Gorbachev has apparently decided to allow these countries to pursue socialism in their own way," Cochrane says.

Finally, U.S. export opportunities could brighten further if economic ties that bind the Soviets and Eastern Europe weaken as the region turns more to the West in the 1990's for hard currency and technology. Nevertheless, the Soviets are likely to maintain a strong presence for some time to come, Cochrane says.

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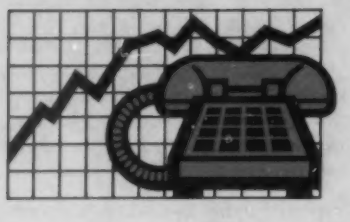
Dialing Up Economic Information



Need economic information or data on today's, tomorrow's, or even yesterday's agriculture? The economists, statisticians, and other specialists of the Economic Research Service and National Agricultural Statistics Service may be able to help. Here is a brief telephone guide that you can pull out and add to your files. Generally, those listed with an "S" for "Statistics" can give you data on acreage, yield, production, livestock numbers, and stocks. Those identified with an "E" for "Economics" can help with supply-demand-price questions and other economic issues. All telephone numbers can be reached by dialing area code 202.

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What's ahead?

Throughout the postwar period, Eastern Europe's major trading partner has been the Soviet Union. All of the East European nations (except Yugoslavia), along with the Soviet Union, are members of the Council for Mutual Economic Assistance, which binds these nations into long-term contracts. Under this arrangement, the USSR ships raw materials like oil and natural gas to Eastern Europe and, in return, is supplied with finished products, both agricultural and industrial.

Today, over half of Eastern Europe's trade is with the Soviet Union or other socialist countries, Cochrane says. The region's next largest trading partner is the European Community.

But that doesn't mean that the United States can't gain a sizeable share of that market. Many Eastern European countries are making strides in reforming their economies, easing the way for business ventures with the United States.

As reforms proceed, U.S. exporters may find that their opportunities could lie not so much in the traditional bulk commodities like grains and oilseeds, but in food processing technology and high-value products such as raisins, almonds, and citrus juices.

Except for soybeans, soybean meal, and corn, Cochrane doesn't see much increase in bulk imports in the 1990's because domestic production is rising.

Although Cochrane doesn't expect a huge export market in the next decade, she does see more cooperation in joint ventures, particularly in the area of food processing. Many of these countries have passed legislation making it easier for Western firms to set up joint ventures. In such operations, for example, a U.S. firm sets up a refrigeration plant, a vegetable processing plant, or a grain storage facility. Such ventures help satisfy the Eastern bloc's need for Western technology and skills training.

Given its shortage of hard currency, Eastern Europe also will be open to barter arrangements, where the exporting company or nation would take Eastern Europe's goods instead of payment.

"If, for example, we contact a cooperative in Hungary to import raisins, but they don't have the hard currency to pay us, they might ask us to take so much canned ham in exchange, to be marketed in the United States," Lambert says.

These countries also will be looking for favorable credit terms and payment arrangements. In other words, U.S. traders will have to be imaginative and flexible to tap into this market.

In the past, only a few individual companies in Eastern Europe could conduct their own foreign trade without going through the central bank. They couldn't use domestic currency to buy U.S. products, and hard currency reserves were held by government banks that controlled which enterprise got what funds, according to the plan for the overall economy. In other words, there was no currency market or commercial banking system as in the West.

But this is changing. Many countries now allow enterprises to retain a certain portion of their hard currency earnings to use at their discretion, Cochrane says.

In fact, Bulgaria and Poland have begun holding limited foreign exchange auctions, whereby firms in need of hard currency can bid on specified amounts of foreign exchange made available by the government for that purpose, Cochrane says.

In other words, these countries are allowing market forces to play a role, albeit a limited one, in their economies. And, although exchange rates would still be set by the government, these auctions represent a step toward a full market economy, where the forces of supply and demand hold sway.

Hungary—the most Western-oriented and successful in its approach to reform—is moving even further in the direction of a market-driven economy, Lambert says.

The government has plans to make its currency convertible by adjusting domestic prices to world levels. This would allow the purchasing power of Hungarian currency to be determined relative to the dollar and other hard currencies.

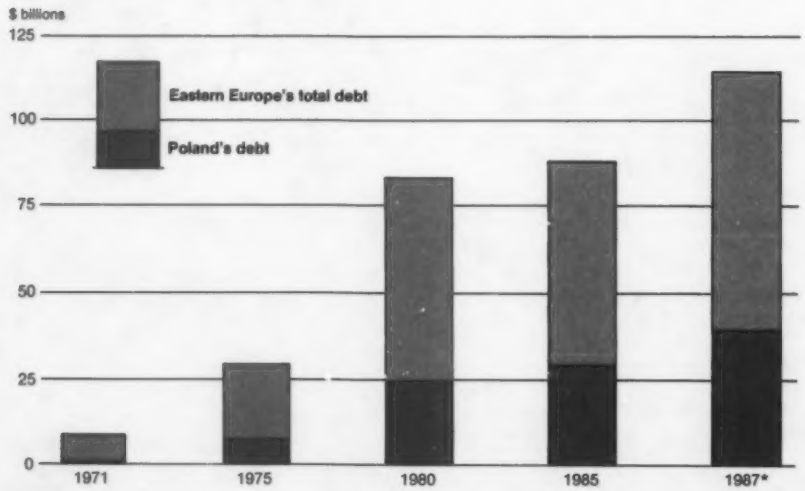
Likewise in Poland, the government is planning to legalize black market currency, and make the zloty convertible inside the country, Urban says. This would give individual companies additional access to hard currency.

When Hungary's currency is fully convertible, prices of goods should reflect more closely the real cost of production. This will give firms in these countries the incentive to find out what they're best suited to produce, Lambert says.

Hungary, Bulgaria, Yugoslavia, and Poland especially want to discover where their comparative advantage lies, he says. Ultimately, as a result of reform, firms in these countries will learn how to adapt or will go out of business.

In fact, the eventual goal is for each business, including each farm enterprise, to be able to fully conduct its own foreign trade. Each enterprise could maintain its own foreign exchange account at a domestic commercial bank, and use export earnings to import goods to be marketed at home, Lambert says.

Eastern Europe's Foreign Debt Tops $100 Billion, With Poland Holding About One-Third



*Preliminary.
Source: Central Intelligence Agency.

Eventually, when full currency convertibility is achieved, goods could even be imported using their national currency, and importers could recoup their expenses through domestic sales rather than by having to offset hard currency imports with exports, he adds.

Flexibility and Patience

If reforms proceed, Lambert sees Eastern Europe as a potential customer for U.S. high-value products beginning sometime late in the next decade.

"There's no question in my mind that there will be a market for some Western high-value food products certainly by the early 21st century, and American firms ought to be alert to what's going on," he says.

"If we want to compete with the European Community, we have to be more adaptable. Right now the Western Europeans are more flexible, and they're a jump ahead of us."

The geographic proximity gives Western Europe an advantage over U.S. traders, of course. But EC traders also tend to establish better contacts, which they often cultivate more skillfully than U.S. exporters, and they've been more willing to tailor their products to specific markets, Lambert says.

"Many firms in Western Europe are used to tailoring their product for a relatively small market, like Eastern Europe," he says. It's not uncommon for producers in Italy, for example, to agree to sell 5,000 tons of pasta on consignment and to meet specific packaging and labeling requirements. "It would be hard to find a U.S. firm willing to meet a request like this."

"Patience is needed to break into this market. Eventually, Eastern Europe will have more affluent, sophisticated consumers that we can tap if we understand the markets over there."

Government export programs can also play a role. The Export Enhancement Program (EEP) has made our agricultural exports to Eastern Europe more competitive. For example, in 1986/87, well over 1 million tons of wheat were shipped to the region under the EEP, Cochrane says.

It is apparent that there is a potential for U.S. trade with Eastern Europe to expand once again, Cochrane says. It is up to U.S. exporters to use their ingenuity to take advantage of this opportunity. □

[Based on information provided by Nancy Cochrane, Miles Lambert, and Francis Urban of the Agriculture and Trade Analysis Division, Economic Research Service.]

Romania's Policies Have Drastic Effects

Romania, like other Eastern bloc countries, has been heavily in debt to the West since the 1970's. How Romania is handling its debt burden is unique in the region and illustrates how government policy in a centralized economy can affect trade opportunities.

"Pervasive misery" is what ERS analyst Nancy Cochrane saw in Romania in 1985. She also visited Bulgaria and Yugoslavia. "The people looked unhealthy. Their clothes were shabby. And the situation is even worse today," she says.

"Meat is virtually unobtainable." Official state figures put meat consumption at 123.2 pounds per capita, but unofficially, consumption is believed to be no more than 66 pounds, on a par with Third World countries, according to the economist.

"Bread and potatoes are rationed. There's not enough milk for the children, and there's such a severe energy shortage that gas and electricity are strictly rationed. In fact, the monthly allotment of electricity is enough to burn only one 40-watt bulb. Any usage exceeding that will result in a fine and ultimately, if overuse continues, in a complete cutoff," Cochrane says.

What caused these conditions? Government policy, primarily. The government has placed its highest priority on eliminating the debt, at the expense of consumers, Cochrane says.

Romania has an economic reform program that dates back 10 years. It is the government's intention, however, not to increase trade by decentralizing, but rather to reinforce central authority in order to boost export earnings.

"Romania has reduced its net debt from $9.1 billion in 1980 to $4.3 billion in 1987 by exporting everything, virtually all meat, anything of quality, so that there's not much left for the population to eat. President Ceausescu is determined to settle the country's debt by 1990, regardless of the cost," Cochrane says.

Life is just as bad in the rural areas of Romania as it is in the cities, the economist says. Under Ceausescu's "systematization policy," the government is tearing down villages and moving people to "agro-industrial" centers in order to increase the amount of land available for agriculture. The plan will affect about two-thirds of the nation's villages and calls for bringing more than 300,000 hectares of land into production as a result.

Many of these relocations affect ethnic minorities, mostly Hungarians and Germans. Neighboring countries have featured press accounts critical of these moves, and even the Soviet press has referred to them, Cochrane says.

The policy might even result in the virtual elimination of Romanian agriculture's private sector, to the detriment of agricultural production, the economist says. Private plots now account for more than 40 percent of the nation's meat supply, for example, she says.

The policies also aren't helping U.S. exporters make inroads into the Romanian agricultural market. In calendar year 1980, when the value of U.S. agricultural exports to the region as a whole was at its highest, the United States shipped $491 million worth of goods to Romania. In 1987, the amount was down to $99 million.

Prospects for increased imports from the United States are not bright, Cochrane says, unless Romania gets new political leadership and takes a different path toward economic reform. Or unless Romania manages to pay off its debt.

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'Farmer Mac' Mortgage Market Coming on Line

This year, a new institution will begin operations with the long-term aim of providing financing to buyers of farms and rural homes. The Federal Agricultural Mortgage Corporation, also known as Farmer Mac, will guarantee agricultural and rural real estate loans originated and pooled by private lenders.

Loan sales will allow lenders to free up capital and reduce their risks. Lenders participating in the secondary market can sell 90 percent of the value of loans that meet Farmer Mac's underwriting standards. This market came about as part of the changes in the Farm Credit System (FCS), mandated by Congress in the Agricultural Credit Act of 1987.

Stephen Hiemstra, an economist with USDA's Economic Research Service, says that farm borrower and lender financial stress, the need to reorganize the FCS, and deregulation of several financial markets spurred the establishment of Farmer Mac.

"The Agricultural Credit Act of 1987, enacted on January 6, 1988, restructures the federal credit assistance given to farmers," Hiemstra reports. The act overhauled FCS and the Farmers Home Administration (FmHA). The act also set up Farmer Mac to help farmers obtain lower interest rates by increasing competition among lenders.

Standards for Farmer Mac loans may be strict because defaults in recent years have been high.

The economist explains that Farmer Mac will function much like other "government sponsored enterprises" (GSE's). Poolers—investment bankers or other well-capitalized security underwriters who organize loans into mortgage pools—will buy loans that lenders originate. They will then sell securities backed by the loans to investors.

Most GSE's were set up to enhance the flow of subsidized credit to distressed or disadvantaged borrowers, says Hiemstra. For instance, the Federal National Mortgage Association (Fannie Mae), began as a program for marketing Federal Housing Administration (FHA) loans during the 1930's. FCS, likewise, began as a program to develop cooperative lending institutions to assure farmers a stable supply of low-cost credit.

As a secondary mortgage market, Farmer Mac resembles the Government National Mortgage Association (Ginnie Mae), which focuses on Veterans' Administration and Federal Housing Administration home loans. Farmer Mac will guarantee securities through private poolers and will not actually hold mortgages.

"Farmer Mac is not permitted to purchase mortgages and is not designed to subsidize farm mortgage lenders," says Hiemstra.

"The institution both establishes and administers the secondary market for farmland and rural housing mortgages. Other GSE's have undertaken one function or the other, but not both."

Financing Farmer Mac

Farmer Mac will fund itself by selling common stock valued at $20 million to FCS institutions, banks, life insurance companies, and other lenders that intend to use the secondary market. Later, a permanent board of 15 directors will be named and underwriting standards will be developed. Private financial institutions will elect 5 members, FCS 5 members, and the President will appoint the remainder. The underwriting standards that are ultimately adopted may determine Farmer Mac's success, Hiemstra says. These standards could vary from simple guidelines that would allow wide participation to regulations that limit participation to only those loans meeting strict standards.

But whatever guidelines are established, they will also be subject to interpretation. "If an administrator of the market is more concerned with marketing the loans, the underwriting standards are likely to be interpreted more loosely. An administrator more geared to protecting against defaults will interpret the underwriting standards more tightly," Hiemstra says.

The economist suggests that standards for Farmer Mac-qualified loans may be quite strict. The reason, he explains, is that in recent years defaults have been fairly high because of financial difficulties experienced by many farmers. FCS, life insurance companies, and FmHA delinquencies all exceeded 10 percent of outstanding debt in 1987, but this was unusual, he adds.

Overall, the secondary market is expected to help stabilize primary loan markets by

Outstanding Farmland Debt Increased Through 1985, Then Declined

	Federal Land Banks	Farmers Home Administration	Life Insurance Companies	Other[1]	Total
			debt in million dollars		
1950	841	218	1,147	2,996	5,202
1960	2,232	636	2,615	5,834	11,317
1970	6,420	2,180	5,122	13,784	27,506
1975	14,533	3,044	6,198	21,556	45,331
1980	33,208	7,431	11,991	37,017	89,647
1985	41,204	9,540	11,035	35,911	97,690
1987	29,667	9,249	9,231	32,439	80,786

[1]Includes all operating banks, individuals, and CCC loans.

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providing lenders additional liquidity through loan sales. In addition, an active secondary market would smooth the regional flow of funds. This could raise the total amount of money available and, as competition increases, lower interest rates, says Hiemstra.

Farmer Mac may not necessarily provide FCS, the major agricultural lender, attractive financing alternatives. Many FCS loans may not meet Farmer Mac standards. FCS does not need the secondary market to finance transactions because it can already sell bonds to obtain the money it lends. Furthermore, it may be more costly for FCS to use the secondary market because Farmer Mac securities may be more expensive than FCS bonds to issue. FCS's large size, operating structure, newly imposed regulations, and public charter may also inhibit its management from responding quickly to changes in the secondary market. These problems could limit FCS from taking full advantage of the market.

In spite of these disadvantages, the FCS will likely find it advantageous to use Farmer Mac financing. "New Farm Credit Administration capital requirements encourage secondary market sales by FCS institutions. Furthermore, Farmer Mac debt is not subject to borrower rights provisions imposed on FCS bond financing. FCS institutions may also gain a cost advantage over private lenders by establishing an exclusive pooler to manage FCS loan sales. But these advantages will only benefit FCS if the lender responds promptly and effectively to the opportunities opened up by Farmer Mac," the economist says.

He adds that Farmer Mac will have little direct influence on the Farmers Home Administration (FmHA) because the government agency provides loan guarantees to farmers otherwise unable to obtain loans on the commercial market. As such, these loans would be ineligible for resale through Farmer Mac. A separate secondary market administered by the Secretary of Agriculture is being created for FmHA loans.

Commercial Lenders May Benefit Most

Of all types of lenders, commercial banks may benefit the most from the farm and rural housing secondary mortgage market, says Hiemstra. Recently, commercial banks have been reluctant to offer many farm loans because of the large principal often required. The secondary market may lower the cost of originating these mortgages by enabling lenders to recover most of the principal sunk into such loans.

An active secondary market could bring new participants to the farm mortgage market because lenders will not need as much capital to finance such loans. More likely, however, the market will be restructured around old participants as lenders decide to specialize in farm mortgage lending or to issue farm mortgages in addition to other farm loans, providing customers with full-service lending. As these lenders serve more farm customers, they will increase their skill in evaluating and counseling farm mortgage borrowers, Hiemstra says.

Life insurance companies, traditionally oriented toward long-term farm real estate loans when lending to farmers, may also benefit. With Farmer Mac, life insurance companies could invest in farm mortgages without taking on the risk of directly lending money to farmers. As a result, companies that never before held farm mortgage assets may start to purchase them, he says.

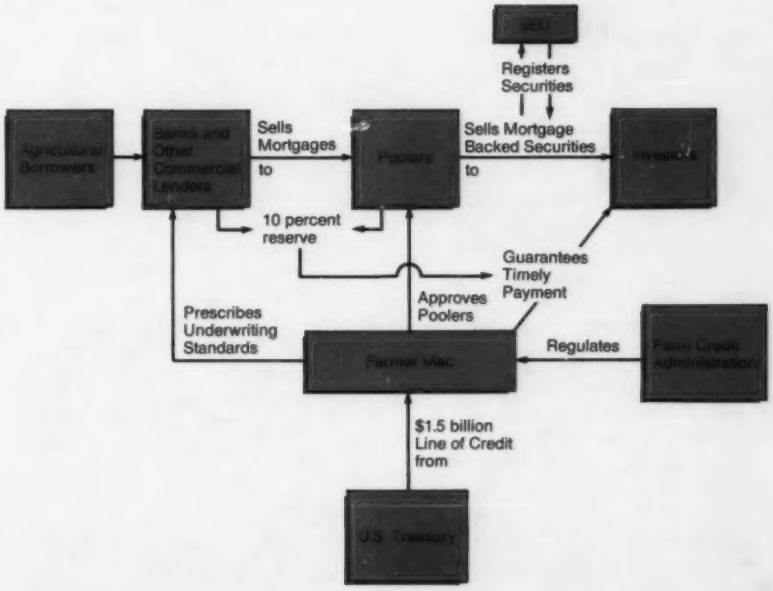
According to Hiemstra, Farmer Mac's effects on interest rates and credit availability will vary with changing market conditions. "In a normal market, Farmer Mac will increase competition and lower interest rates modestly as lender profit margins decline. In a tight credit market, Farmer Mac will raise the amount of credit available as private lenders gain access to national security markets on an equal basis with the FCS," Hiemstra says.

Farmers may see other developments besides lower interest rates and more available credit if the market succeeds, says Hiemstra. For example, if interest rates fall, farmers may be more willing to borrow to buy land and as a result, demand for land would rise, followed by higher land values.

The economist points out that borrowers whose loans do not qualify for secondary market sale may be less able to obtain credit from private lenders because their loans will be considered riskier than qualifying loans. Because their loans will not meet secondary market resale standards, the lenders will be unable to sell them. Lenders who service such customers will have to accept all of the risk and commit their own capital in extending the loans. There may be less competition for these nonconforming loans because they are more expensive to service.

"While a successful secondary market may improve conforming borrowers' access to credit at competitive interest rates, those unable to meet Farmer Mac standards may

How Money Flows Through Farmer Mac



have to rely more on government credit programs, such as FmHA, or pay more for credit. The FmHA secondary market, also established in the 1987 act, may provide some relief in this respect," says Hiemstra.

The 1987 act also provides several safeguards to protect the market from financial stress, says Hiemstra. Under the law, Farmer Mac securities are subject to the 1934 Securities Exchange (SEC) Act, which requires security issuers to disclose information pertinent to evaluating the value of these investments.

In addition to security regulation, investors will be protected because Farmer Mac will begin operations slowly. The market will only be allowed to guarantee 2 percent of total outstanding farm real estate debt during the first year of operation. The following year, an additional 4 percent can be pooled, and the year after that, 8 percent. Lenders will accordingly have time to learn about the market before committing large amounts of money to it.

If loan defaults occur, investors will be covered by a 10-percent reserve established by lenders in cooperation with the pools. If that reserve is exhausted, losses are covered by Farmer Mac, which will accumulate its own reserve by charging participants a guarantee fee. If these reserves are depleted, the $20 million in Farmer Mac stock can be used to cover losses. When all else fails, Farmer Mac can borrow up to $1.5 billion from the federal government by issuing securities to the U.S. Treasury. Investors, therefore, need not be concerned about default losses on Farmer Mac guaranteed securities, the analyst points out.

FCS participation in the secondary market is important, the economist says. It controls the largest source of mortgages available for pooling, and it is still unclear whether, or how, FCS will pool its debt. If the lender participates, it may have an unassailable edge in assembling pools and will likely be a major competitor in the market.

The success of the pools themselves depends on how many farm mortgages are offered through Farmer Mac. A number of factors could influence participation. For one thing, farming operations are diverse. Farm loans have different cash flow, prepayment, and default characteristics. It may be expensive meeting the regional and other diversifications requirements set by Congress. Furthermore, outstanding loans (old or seasoned debt) may not meet Farmer Mac mortgage documentation standards and would therefore be ineligible for the secondary market. Because new mortgage lending is at its lowest point in recent years, much of the debt potentially available for pooling is seasoned. Underwriting standards could also eliminate a substantial portion of new debt from being included in mortgage pools. For example, the standards might permit only fixed-interest mortgages to be pooled.

According to Hiemstra, uncertainties, such as the need for legislative and regulatory clarifications, may discourage early participation, particularly by small or poorly capitalized lenders. "But despite such hurdles, it is likely that a viable secondary market will succeed. Farmer Mac securities will be secure investments, and should be in demand even before they are actively traded," Hiemstra says.

It may take time for Farmer Mac to begin operations. The Farmer Mac stock offering was completed in December, and about 1,500 lenders and 30 poolers purchased stock. The permanent Farmer Mac board of directors met for the first time in March. Underwriting standards must be presented to Congress in July. Since Congress has four months to review these standards, it will probably be late fall before the first Farmer Mac securities are pooled and 1990 before they are actively traded. □

[Based on information provided by Stephen Hiemstra, of the Agriculture and Rural Economy Division, Economic Research Service.]

Experts Disagree On Need for 'Mac'

The secondary market for farmland and rural housing mortgages has not been without its critics. Many feared Farmer Mac could threaten the financial viability of the farm sector's major lender, the Farm Credit System (FCS). Others argued that FCS already functions as a secondary market by selling bonds to finance the money it loans.

ERS economist Stephen Hiemstra says that some opponents were concerned that farm loans were business loans and, as such, were riskier than housing loans and should not be offered for resale. Still others worried that the secondary market would primarily benefit commercial bankers and life insurance companies, not farmers.

But supporters of the legislation creating Farmer Mac heralded the potential benefits of the market. Commercial banks and life insurance companies, which led the drive for Farmer Mac, argued that the recent consolidation of FCS lending services gave FCS an unfair advantage in competing for farm real estate loans. (In 1987, Congress gave FCS authority to merge the operations and assets of its short- and long-term lending institutions.) They argued that the reorganization of FCS created the availability of "one-stop credit shopping" because farmers could turn to the local FCS offices not only for real estate loans, but also for equipment and operating loans, Hiemstra reports.

Some Loan Pool Guidelines Set

Loans that qualify for resale through the Federal Agricultural Mortgage Corporation, Farmer Mac, must be secured by a first lien, fee-simple or lease-hold mortgage on farm real estate, such as land and structures used in farm production, says ERS economist Stephen Hiemstra.

Loans for rural housing will also be eligible for the secondary market, providing the structure is the principal, single-family residence valued at no more than $100,000.

While loans must be taken out by U.S. citizens or resident aliens, they can be issued to individuals, partnerships, or corporations, explains Hiemstra.

He adds that the loans have to ensure that the loan-to-value ratio (loan principal divided by the appraised value) does not exceed 80 percent. The loan cannot exceed $2.5 million or cover more than 1,000 acres.

Loan pools must consist of loans from farms that not only produce a variety of crop and livestock products, but also are located in different regions of the country.

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REPORTS IN THE NEWS

EC Has Become An Export Leader

The European Community has shifted from a net importer of grain and meat to a major net exporter.

Wheat and beef provide two examples.

In 1985, the ten EC member nations harvested 13 million hectares of wheat, roughly the same as their 1960 wheat area. What had changed was yield, production, and use.

Wheat yield more than doubled in the 25 years, and production rose from 29.7 million metric tons to more than 66 million. However, total use within the EC grew at a slower pace.

As a result, exports expanded, and the EC's wheat trade balance shifted. Back in 1960, imports exceeded exports by 9.1 million metric tons. In 1985, wheat exports topped imports by 13.1 million tons.

In the case of beef and veal, production increased from 4.4 million metric tons to 7.4 million over the same period. This increase outpaced the rise in EC beef consumption, adding to exportable supplies. In 1960, the EC imported 451 million more tons of beef and veal than it exported. By 1985, exports led imports by 358 million tons.

Today, the EC is both the largest U.S. agricultural market and a major competitor. It now ranks with the United States as one of the world's two leading exporters of farm products.

This statistical bulletin includes supply and use data for major agricultural commodities in the EC grains, oilseeds, livestock, and dairy sectors (plus potatoes and sugar). It also provides producer, wholesale, and retail price statistics, as well as general economic data. It covers all current EC members except Spain and Portugal, who entered the EC in 1986.

***Agricultural Statistics of the European Community, 1960-85** by Herlihy, Magiera, Henry, and Bailey. Published January 1989; 123 pages of data tables; $8.00 ($10 to non-U.S. addresses).*

Grazing Land Acres Decrease

More U.S. land is used for grazing than for any other purpose, but the amount of grazing land has been dropping for several decades.

In 1982, an estimated 817 million acres—36 percent of total U.S. land area—was used to graze cattle, sheep, and other livestock. The 1950 figure was about 200 million acres higher.

Between 1950 and 1982, the amount of grazing land declined in nine of the ten major farm production regions. Only the Southern Plains (Texas and Oklahoma) registered an increase, as grazing area grew from 145 million acres to 149 million. Over the same period, the sharpest percentage decline was in the Northeast, which is also the region with the smallest amount of grazing land (6.8 million acres in 1982).

Nearly half (46 percent) of the nation's 1982 grazing area was in the Mountain region, which covers Idaho, Montana, Wyoming, Nevada, Utah, Colorado, Arizona, and New Mexico. Grazing acreage in these states dropped from 435 million acres in 1950 to 379 million in 1982.

More than 70 percent of U.S. grazing acreage is classified as grassland pasture and range. The remainder is grazed forest land or cropland pasture.

This report examines trends in the amount, types, and locations of U.S. grazing land. It also analyzes the quality and value of pasture and rangeland, and estimates the demand for grazing land based on cattle and sheep numbers.

The author reports that he found no evidence of a shortage of U.S. grazing land. In fact, he writes that considerable land used for grazing a few years ago is now idle, largely because of financial conditions in the livestock sector.

***U.S. Grazing Lands: 1950-82** by Arthur Daugherty. Published January 1989; 75 pages of text and data tables; $8.00 ($10 to non-U.S. addresses).*

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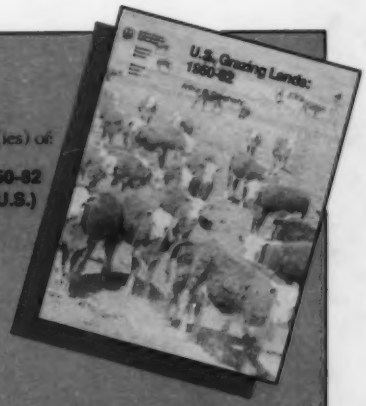

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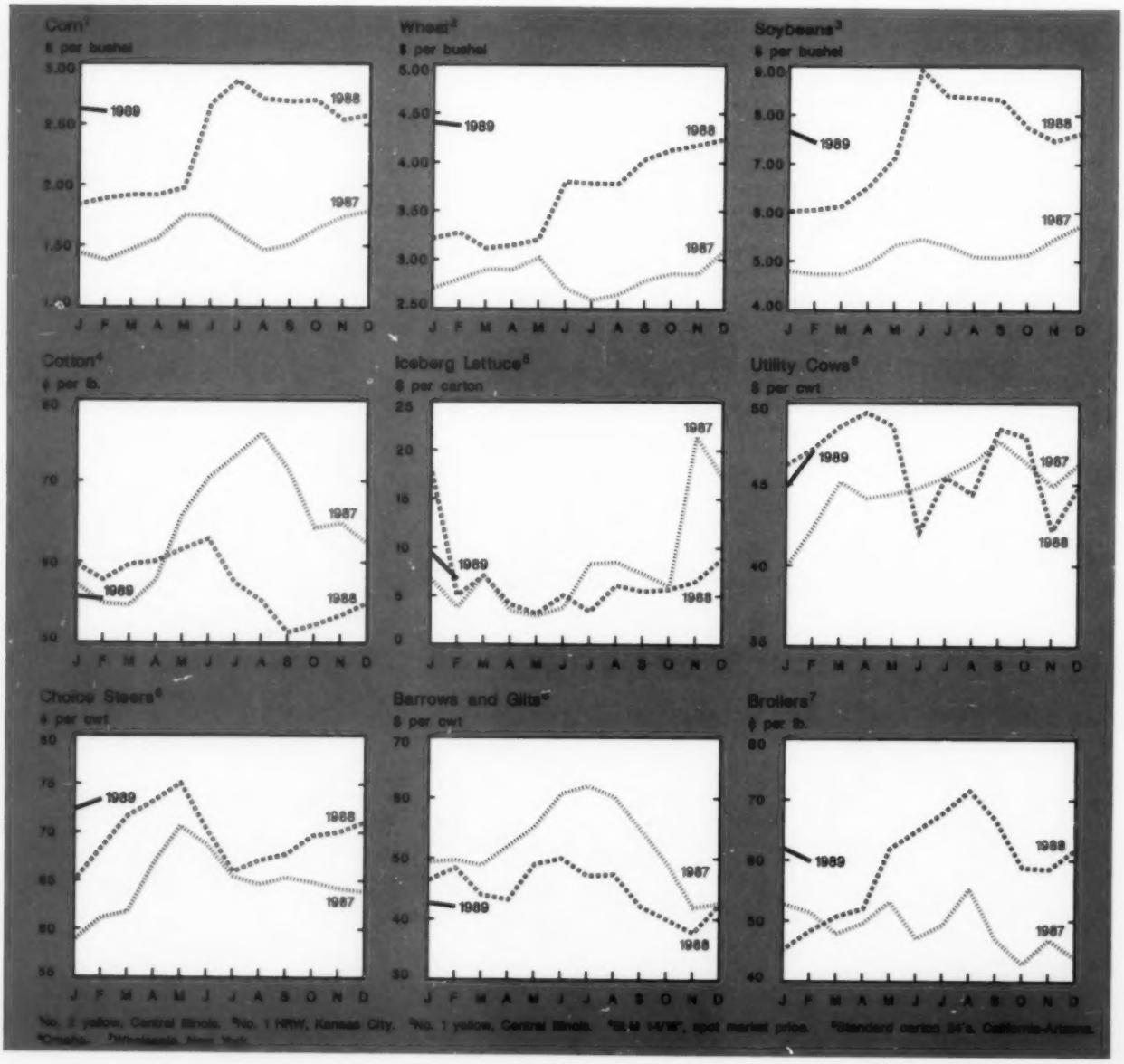
FARMLINE TRENDS

Monthly Price Monitor

USDA's February 1989 index of farm prices decreased 0.7% from January but was 14% above its year-earlier level. Corn lost 2¢ per bushel while wheat was down 3¢.

Soybeans were off by 22¢ to $7.43 per bushel. Cotton held fairly steady at 55.4¢ per lb. Iceberg lettuce lost $2.68 from its January average of $9.42. Among meat animals, utility cows increased to $47.07 per cwt, $2.19 more than January's level.

Choice steers gained $1 to $73.41 per cwt, the highest since last May. Barrows and gilts at $42.10 were off 56¢ from January, while broilers held fairly steady at 59.9¢ a lb. All prices shown are monthly averages.

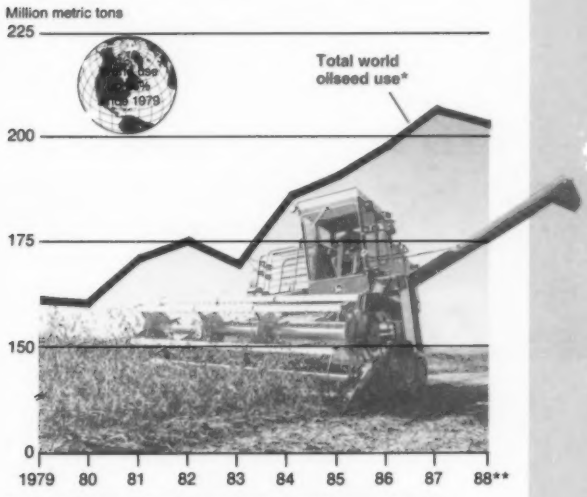


Foreign Oilseed Production Grows, While U.S. Oilseed Acreage Drops

Data provided by economists Tom Bickerton and Bob Cummings of the Commodity Economics Division, Economic Research Service

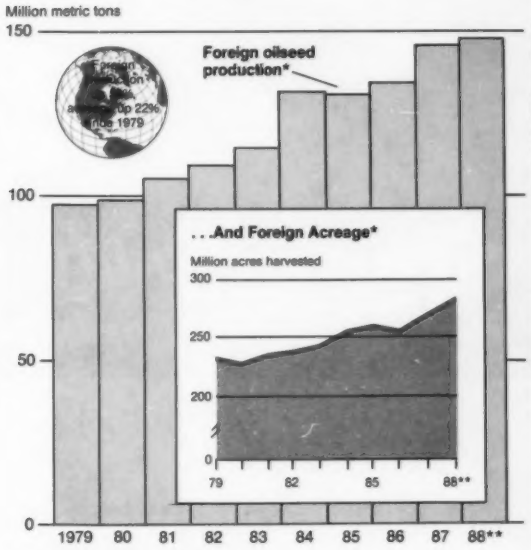
Chart sequence: 1 2 3 4

World Demand for Oilseeds Has Been Growing Steadily



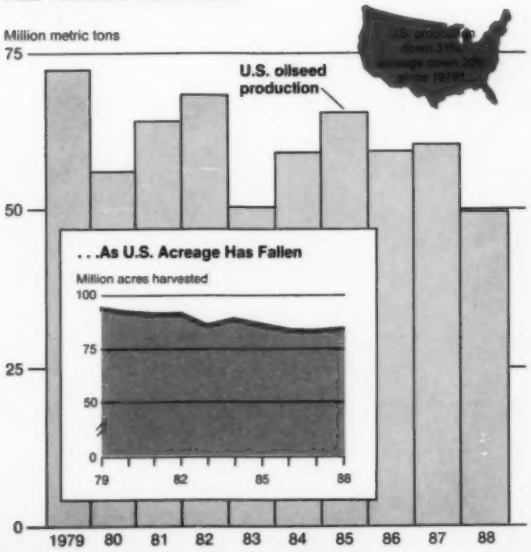
*Includes soybeans, cottonseed, peanut, sunflowerseed, rapeseed, flaxseed, copra, and palm kernel.
**Forecasts for 1988/89 are as of mid-February 1989.
All chart data are on a marketing year basis. World data reflect an aggregation of local marketing years.

So Has Foreign Oilseed Production



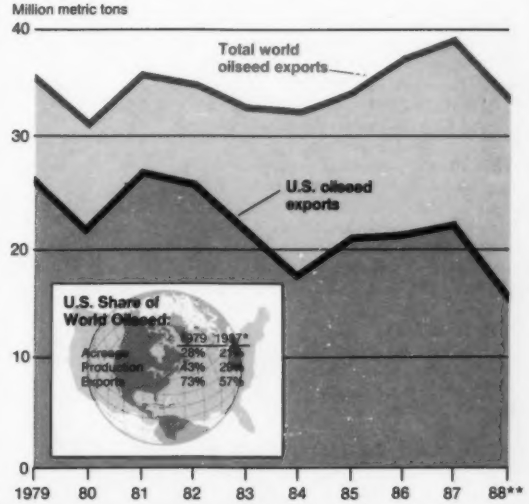
*World total, excluding United States.
**Forecasts for 1988/89 are as of mid-February 1989.

Meanwhile, U.S. Oilseed Production Has Trended Downward



*Excluding the 1988 drought year, U.S. production dropped 16% from 1979 to 1987.

And U.S. Exports Have Dropped, Despite a Small Expansion in World Trade



*1987 is used for comparison because of drought-reduced U.S. production and exports in 1988/89.
**Export forecasts for 1988/89 are as of mid-February 1989.

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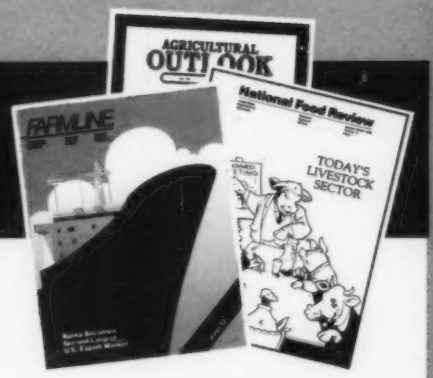

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